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Mission Capital Arranges $50Mln of Financing for Bridge Lender

Mission Capital Advisors has arranged a $50 million financing facility, from a foreign bank, for Columbia Pacific Advisors, allowing the Seattle investment manager to leverage its bridge-lending platform.

The financing was a first for Mission, a New York company that is best known for its activity in the secondary loan-sales market. But it's hoping to carve out a niche, helping other lenders line up innovative financing instruments to leverage their businesses.

The company got into the loan-placement business in 2011 as a complement to its core operation. So it has focused, like most other loan-placement brokers, in arranging loans and equity investments for client properties.

It did just that with Columbia Pacific, helping arrange an investment for the company, with which it developed its relationship. So when Columbia Pacific sought to line up some sort of financing for its bridge-lending platform, it turned to Mission.

Columbia Pacific, which has some $850 million of assets under management, invests on behalf of the Baty family as well as a number of family offices, institutions and high net-worth individuals.

The Baty family's patriarch, Daniel R. Baty, previously was chairman of Holiday Retirement Corp., which was sold in 2007 to Fortress Investment Group for some $6 billion.

In the real estate sector, Columbia Pacific operates a bridge-lending platform as well as a value-add equity platform. It also operates a hedge fund and opportunistic-investment vehicle. Its bridge-lending platform, invested through Columbia Pacific Income Fund I LLP, has some $150 million of relatively short-term loans, many of which are secured by seniors housing. It raised a total of $153.1 million from investors as of the end of March, according to a regulatory filing.

The fund holds loans on typical property types, such as office and retail properties, as well as non-conventional collateral, such as marinas and recreational-vehicle parks. That alone made lining up a credit facility challenging. It was compounded by the fact that Columbia Pacific's loan portfolio is not homogeneous. Some of its lending involves so-called "hard-money loans" - short-term debt with high coupons that often are originated to allow an investor to complete an acquisition in a very short time frame.

Mission evaluated a number of options for Columbia Pacific, from conventional warehouse lines, repurchase agreements and corporate debt facilities. It ended up with a non-recourse financing facility with no warm-body carveouts, with an unusual four-year term from a foreign lender. Most financing facilities typically have three-year terms with potential extension options.

The financing facility gives Columbia Pacific the ability to continue to fund loans, effectively leveraging the equity capital it has raised. The facility is secured by existing loans held by the fund and any new loans that are written, as long as they fit certain parameters.

"We were able to structure a financing facility with characteristics similar to a revolver," explained Alex Draganiuk, a director at Mission's debt and equity finance group. He said that the growing number of opportunistic investors that might have purchased loans through Mission and now have shifted their focus to the short-term lending business could very well benefit from financing facilities similar to the one that was lined up for Columbia Pacific.

A number of big lenders that include Wells Fargo Bank and Citigroup provide warehouse facilities to many lenders, particularly those that rely on the CMBS market to recycle their capital. But few are willing to provide relatively small, flexible facilities, particularly to lenders specializing in what could be considered non-conventional assets. That's what Mission is hoping to take advantage of. "We can add value," Draganiuk said.